



NILES DISTRICT LIBRARY

NILES, MICHIGAN

FINANCIAL STATEMENTS

Year ended September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name NILES DISTRICT LIBRARY	County BERRIEN
Audit Date 9/30/05	Opinion Date 11/22/05	Date Accountant Report Submitted to State: 1/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) SCARPONE & CO., P.C.			
Street Address 20 N. SECOND ST., P.O. BOX 1146		City NILES	State MI
Accountant Signature <i>James L. Scarpone, CPA</i>		ZIP 49120	Date 1/31/06

NILES DISTRICT LIBRARY

NILES, MICHIGAN

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NILES DISTRICT LIBRARY

NILES, MICHIGAN

BOARD OF TRUSTEES

Rolla Baumgartner	-	President
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Sally Ginter	-	Vice-President
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Gloria Cooper	-	Secretary
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Shari Weber	-	Treasurer
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Nancy McCreedy	-	Trustee
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Mary Bryant	-	Trustee
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William Landgraf	-	Trustee
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Todd Wakevainen	-	Trustee
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SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 22, 2005

Members of the Library Board of Trustees
Niles District Library
Niles, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Niles District Library as of and for the year ended September 30, 2005, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Niles District Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Niles District Library as of September 30, 2005, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplemental information, as listed in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Niles District Library. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Scarpone & Co., P.C.

NILES DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

The Library is reporting financial statements this year that meet the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34). This is the second year that these requirements have been applicable. The two primary changes involved in meeting these requirements is the addition of a Management's Discussion and Analysis (MD&A) and the reporting of all capital assets and depreciation of same. A capital asset appraisal was completed by Mid-America Appraisals in March, 2004, the results of which are reflected in this report.

Introduction

The Library continues to make improvements in our bookkeeping and record keeping processes to insure accuracy and to make the Board's monthly reports more complete and easily understood. Beginning in fiscal year 2005 each monthly report submitted to the Board now includes a balance sheet, which details our assets and liabilities.

In December, 2004 the Board determined to purchase four, \$150,000, one-year certificates of deposit during calendar year 2005. Three of these certificates of deposit were purchased during fiscal year 2005. This was done in an effort to improve the interest earnings on Library funds.

In April, 2005 the Board met with representatives from six area banks. After comparing rates and fees from each, the Board moved funds to United Federal Credit Union and opened an account which is now the Library's primary checking account.

In May, 2005 the Director presented the Board with a summary of revenues and expenditures over a ten-year period. Using the trends revealed by this overview, a six-year projected budget was submitted to the Board in June, 2005 for their review. This exercise revealed that expenditures can be expected to grow much faster than revenues over the coming years.

Overall Financial Position

The financial statements indicate that the Library has cash of \$756,073 and \$452,090 in investments (certificates of deposit), for a total of \$1,208,163 in assets at the close of the fiscal year, compared to \$1,304,737 at the close of the previous fiscal year. Expenditures for the fiscal year exceeded revenues by \$96,630. The Library's reserve cash and investments are more than adequate to assure the financial stability of the Library.

Operating Fund Budget vs. Actual

	<u>Budgeted</u>	<u>Actual</u>	<u>Percent of Difference</u>
Expenditures	\$ 1,203,494	\$ 1,147,269	(4.9)
Revenues	1,110,495	1,011,469	(9.8)

NILES DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

September 30, 2005

Influencing Factors

Interest rates on deposited accounts improved somewhat. The purchase of three certificates of deposit will, in the long run, improve our interest earnings. The Library can expect to see a significant increase in interest earnings for fiscal year 2006.

Utility bills from the City of Niles were paid at 100% compared to 80% in fiscal year 2004. This, along with gas rate increases, resulted in a 22.2% increase in the cost of utilities for the Library between fiscal year 2005 and fiscal year 2004.

Revenues

The Library's primary revenue source continues to be property tax and penal fines. These two revenue sources combined, account for nearly 90% of the Library's income. A decrease in revenues for penal fines offset a slight increase in property taxes to result in a combined increase of revenues from these two sources of less than 1% over fiscal year 2004.

<u>Revenue Source</u>	<u>Percent of Revenue</u>	<u>Percent of Change From Prior Year</u>
Local Taxes	65.5	3.8
Penal Fines	23.7	(0.3)
State Aid	4.8	(0.2)
Fines and Fees	3.0	10.7

Some revenues received in the fiscal year were unusual and should not be anticipated in coming years:

Michigan Humanities Grant for Once Upon a River	\$	4,308
Michigan Humanities Grant for Reader's Theater		2,880

Expenditures

Salaries and benefits are the largest expense items for the Library, together representing nearly 60% of all Library expenditures. The increase in salaries from fiscal year 2004 was less than 1% because of a reduction of workforce in the adult services department, which helped to offset raises in wages and the addition of a part-time staff member in the children's services department.

<u>Expenditure Category</u>	<u>Percent of Expenditures</u>	<u>Percent of Change From Prior Year</u>
Salaries and benefits	45.3	0.8
Payroll taxes and benefits	13.6	(1.8)
Library materials	11.0	(2.5)
Utilities	4.4	22.2

NILES DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONCLUDED

September 30, 2005

Debt

The Library continues to make semi-annual payments on a 1998 Building Authority Bond, which is scheduled to be repaid by the year 2018. The Library has no other significant indebtedness.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances. If you have any questions about this report or need additional information, contact the Director, Niles District Library.

NILES DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND
STATEMENT OF NET ASSETS

September 30, 2005

	<u>Operating Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments (Note K)</u>	<u>Statement of Net Assets</u>
ASSETS					
Cash and cash equivalents	\$ 485,061	\$ 271,012	\$ 756,073	\$ -	\$ 756,073
Investments	300,000	152,090	452,090	-	452,090
Taxes receivable	3,367	-	3,367	-	3,367
Due from other funds	2,551	-	2,551	-	2,551
Capital assets, net of accumulated depreciation	-	-	-	1,847,849	1,847,849
TOTAL ASSETS	\$ 790,979	\$ 423,102	\$ 1,214,081	\$ 1,847,849	\$ 3,061,930
LIABILITIES					
Due to other funds	\$ -	\$ 2,551	\$ 2,551	\$ -	\$ 2,551
Accrued payroll, taxes and withholdings	22,553	-	22,553	-	22,553
Accrued interest	-	-	-	12,041	12,041
Long-term liabilities:					
Bonds payable	-	-	-	505,000	505,000
Accumulated employee benefits	-	-	-	10,522	10,522
	22,553	2,551	25,104	527,563	552,667
FUND BALANCES/NET ASSETS					
Fund balances, reserved, reported in					
Reserve fund	-	209,518	209,518	(209,518)	-
Legacy fund	-	5,107	5,107	(5,107)	-
Capital projects	-	205,926	205,926	(205,926)	-
Fund balances, unreserved	768,426	-	768,426	(768,426)	-
	768,426	420,551	1,188,977	(1,188,977)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 790,979	\$ 423,102	\$ 1,214,081		
Net Assets					
Invested in capital assets					1,330,808
Unrestricted					1,178,455
TOTAL NET ASSETS					\$ 2,509,263

See accompanying notes to basic financial statements.

NILES DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES

For the year ended September 30, 2005

	Operating Fund	Other Funds	Total	Adjustments (Note K)	Statement of Activities
REVENUES:					
Local taxes	\$ 662,998	\$ -	\$ 662,998	\$ -	\$ 662,998
Penal fines	239,541	-	239,541	-	239,541
State-shared revenues	48,130	-	48,130	-	48,130
Interest and dividends	14,436	9,415	23,851	-	23,851
Charges for services	17,566	-	17,566	-	17,566
Contributions and gifts	5,322	-	5,322	-	5,322
Copier revenues	12,552	-	12,552	-	12,552
Frazee Trust	-	29,755	29,755	-	29,755
Grant income	7,188	-	7,188	-	7,188
Community room	850	-	850	-	850
Miscellaneous	2,886	-	2,886	-	2,886
Total Revenues	1,011,469	39,170	1,050,639	-	1,050,639
EXPENDITURES:					
Salaries	519,530	-	519,530	10,522	530,052
Payroll taxes and employee benefits	156,257	-	156,257	-	156,257
Professional fees	26,334	-	26,334	-	26,334
Building maintenance	50,489	-	50,489	-	50,489
Repairs and maintenance	17,763	-	17,763	-	17,763
Library materials	126,736	-	126,736	-	126,736
Supplies	13,271	-	13,271	-	13,271
Utilities	50,830	-	50,830	-	50,830
Communications	9,458	-	9,458	-	9,458
Postage	4,222	-	4,222	-	4,222
Programming	14,267	-	14,267	-	14,267
Refunds	5,858	-	5,858	-	5,858
Staff development	10,925	-	10,925	-	10,925
Copy machine rental and supplies	10,633	-	10,633	-	10,633
Insurance	16,337	-	16,337	-	16,337
Capital outlay	43,613	-	43,613	(31,023)	12,590
Grant expense	12,596	-	12,596	-	12,596
Bond processing and handling fees	300	-	300	-	300
Debt service	50,270	-	50,270	(12,959)	37,311
Miscellaneous	7,580	-	7,580	-	7,580
Depreciation	-	-	-	63,412	63,412
Total Expenditures	1,147,269	-	1,147,269	29,952	1,177,221
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,800)	39,170	(96,630)	(29,952)	(126,582)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	48,324	(48,324)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(87,476)	(9,154)	(96,630)		
Change in Net Assets					(126,582)
FUND BALANCES/NET ASSETS					
Beginning of Year	855,902	429,705	1,285,607	1,350,238	2,635,845
End of Year	\$ 768,426	\$ 420,551	\$ 1,188,977	\$ 1,320,286	\$ 2,509,263

See accompanying notes to basic financial statements.

NILES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Niles District Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

The Library's reporting entity includes all activities related to the operation of the Niles District Library. The Library receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by the GASB pronouncement. In addition, there are no component units as defined by GASB which are included in the Library's reporting entity.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Funds Balance Sheet and Statement of Net Assets and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations.

The Operating Fund is the only major individual governmental fund. For fund financial statements, the accounts of the Library are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds included in the accompanying basic financial statements:

Operating Fund - The Operating Fund accounts for revenues and expenditures of the Library not required to be accounted for in other funds.

Reserve Fund - The Reserve Fund accounts for the accumulation of resources related to ensuring uninterrupted Library service.

Legacy Fund - The Legacy Fund accounts for the revenues and expenditures related to particular functions or activities of the Library, including income from the Frazee Trust Fund Endowment.

NILES DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition of major capital expenditures.

BASIS OF ACCOUNTING:

The government-wide statements (the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances) are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

BUDGETS AND BUDGETARY ACCOUNTING:

The Library Board of Trustees annually adopts a budget for each of its funds. The budget is adopted on the basis of accounting described above. Budgeted amounts are as originally adopted or amended by the Board of Trustees.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

NILES DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONCLUDED:

CAPITAL ASSETS-CONCLUDED:

Leasehold improvements	50 years
Furniture and equipment	10-15 years
Computer equipment	5 years

The minimum capitalization threshold is any item with a total cost greater than \$2,500.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

COMPENSATED ABSENCES:

It is the Library's policy to permit employees to accumulate earned but unused sick pay (to a maximum of 1,000 hours) and vacation pay benefits (to a maximum of 75 hours). There is no accrued liability for unpaid accumulated sick leave since the Library's policy does not allow for the payment of any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements.

LOCAL TAXES:

Property taxes are levied for Library operating purposes against properties within the Library's service area at a rate of 1.4842 mills.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FUND BALANCES:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans and are subject to change.

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at September 30, 2005:

Petty cash	\$	100
Deposits in financial institutions		755,973
	\$	756,073

NILES DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE B - CASH AND CASH EQUIVALENTS - CONCLUDED:

The above deposits in financial institutions of \$755,973, were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$757,176. Of that amount, approximately \$249,000 was covered by federal depository insurance coverage, approximately \$92,000 was held in a local units of government trust account, \$250,000 was covered by private depository insurance coverage, and \$166,176 was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Investments at September 30, 2005 consisted of certificates of deposit in financial institutions of \$452,090. Of this amount, approximately \$251,023 was covered by federal depository insurance coverage and approximately \$201,067 was uninsured and uncollateralized.

NOTE D - CAPITAL ASSETS:

Capital asset activity for the Library's Governmental activities for the year ended September 30, 2005 was as follows:

	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Capital assets being depreciated:				
Leasehold improvements	\$ 1,979,981	\$ -	\$ -	\$ 1,979,981
Furniture and equipment	165,087	31,023	-	196,110
Computer equipment	113,267	-	-	113,267
	2,258,335	31,023	-	2,289,358
Accumulated depreciation:				
Leasehold improvements	251,517	39,600	-	291,117
Furniture and equipment	51,283	12,559	-	63,842
Computer equipment	75,297	11,253	-	86,550
	378,097	63,412	-	441,509
Net capital assets	\$ 1,880,238	\$ (32,389)	\$ -	\$ 1,847,849

NOTE E - LONG-TERM DEBT:

General long-term debt consisted of the following at September 30, 2005:

4.75% - 4.80% 1998 Building Authority Bonds, with annual payments of \$30,000 to \$50,000 and semi-annual interest payments, final maturity April, 2018.	\$ 505,000
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NILES DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE E - LONG-TERM DEBT-CONCLUDED:

The principal reductions of general long-term debt for the years ending September 30, are as follows:

<u>Year Ended</u>	<u>Amount Due</u>
2006	\$ 30,000
2007	30,000
2008	30,000
2009	35,000
2010	35,000
Thereafter	345,000
Total	\$ 505,000

The following is a summary of the changes in general long-term debt for the year ended September 30, 2005:

	<u>Balance September 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2005</u>
Bonds payable	\$ 530,000	\$ -	\$ 25,000	\$ 505,000

NOTE F - FRAZEE TRUST FUND ENDOWMENT:

The Library is the sole beneficiary of the Carl H. and Faye W. Frazee Niles Community Library Foundation Trust established in 1990. Wells Fargo Bank Indiana, N.A. is the trustee of the Foundation, and manages the income and distributions of the endowment. The Foundation requires all income from the endowment to be distributed to the Legacy Fund of the Library. Distributions to the Library amounted to \$29,755 for the year ended September 30, 2005.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at September 30, 2005 consisted of the following:

	<u>Receivable Balance</u>	<u>Payable Balance</u>
General Fund	\$ 2,551	\$ -
Reserve Fund	-	2,551
	\$ 2,551	\$ 2,551

NILES DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE H - PENSION PLAN:

The Niles District Library participated in the City of Niles defined benefit pension plan until October 1, 2002. Niles District Library had no fiduciary responsibility for the administration of the plan.

Effective October 1, 2002, current employees of the Library were no longer considered to be employees of the City of Niles. Consequently, the Library established a pension plan for its employees administered through the Municipal Employees' Retirement System of Michigan (MERS) in a plan with a similar benefit structure to the City of Niles plan. Under this arrangement, the Library assumed the benefit obligation (both past and future) for the service rendered by these employees and the City transferred any associated plan assets attributable to Library employees into the MERS plan. Any retired and "vested-deferred" former employees remained with the City of Niles plan.

For the year ended September 30, 2005, the employer contributions to the plan were approximately 6.67% of reported wages and totaled \$26,696.

NOTE I - ACCUMULATED EMPLOYEE BENEFITS:

Accumulated employee benefits represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library. The estimated liability as of September 30, 2005 is estimated to approximate \$10,522.

NOTE J - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters. The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended September 30, 2005.

NILES DISTRICT LIBRARY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONCLUDED

For the year ended September 30, 2005

NOTE K - ADJUSTMENTS:

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet due to the following adjustments:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	\$	1,847,849
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds		(12,041)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the governmental funds:		
Bonds Payable		(505,000)
Accrued Employee Benefits		(10,522)
	\$	1,320,286

Amounts reported for governmental activities on the Statement of Activities are different from the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Depreciation	\$	(63,412)	
Capital outlay-over threshold		31,023	\$ (32,389)

Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the governmental funds, but the accrual is a liability on the statement of net assets.

(12,041)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

25,000

Accrual for long-term employee benefits reported as an expenditure in the Statement of Activities, but not in the fund statements.

(10,522)

\$ (29,952)

REQUIRED SUPPLEMENTARY INFORMATION

NILES DISTRICT LIBRARY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE

OPERATING FUND

For the year ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local taxes	\$ 674,800	\$ 669,800	\$ 662,998	\$ (6,802)
Penal fines	255,000	255,000	239,541	(15,459)
State-shared revenues	48,070	48,070	48,130	60
Interest and dividends	4,600	7,200	14,436	7,236
Charges for services	13,700	13,700	17,566	3,866
Contributions and gifts	10,000	10,000	5,322	(4,678)
Copier revenues	12,500	12,500	12,552	52
Grant income		9,693	7,188	(2,505)
Community room	1,000	1,000	850	(150)
Miscellaneous	3,500	3,500	2,886	(614)
	1,023,170	1,030,463	1,011,469	(18,994)
EXPENDITURES:				
Salaries	543,500	518,500	519,530	(1,030)
Payroll taxes and employee benefits	161,855	151,799	156,257	(4,458)
Professional fees	27,600	29,450	26,334	3,116
Building maintenance	43,020	51,300	50,489	811
Repairs and maintenance	19,600	21,923	17,763	4,160
Library materials	118,500	118,500	126,736	(8,236)
Supplies	14,400	14,000	13,271	729
Utilities	43,100	48,000	50,830	(2,830)
Communications	9,700	9,200	9,458	(258)
Postage	4,250	4,000	4,222	(222)
Programming	13,500	15,500	14,267	1,233
Refunds	8,000	8,000	5,858	2,142
Staff development	9,500	11,000	10,925	75
Copy machine rental and supplies	10,500	10,500	10,633	(133)
Insurance	17,500	16,337	16,337	-
Capital outlay	48,000	48,000	43,613	4,387
Grant expense		10,770	12,596	(1,826)
Debt service	50,900	50,900	50,570	330
Miscellaneous	5,500	9,500	7,580	1,920
	1,148,925	1,147,179	1,147,269	(90)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(125,755)	(116,716)	(135,800)	(19,084)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	46,000	48,000	48,324	324
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(79,755)	(68,716)	(87,476)	(18,760)
FUND BALANCE, BEGINNING OF YEAR	855,902	855,902	855,902	-
FUND BALANCE, END OF YEAR	\$ 776,147	\$ 787,186	\$ 768,426	\$ (18,760)

See accompanying notes to basic financial statements.

OTHER SUPPLEMENTAL INFORMATION

NILES DISTRICT LIBRARY
COMBINING BALANCE SHEETS

OTHER FUNDS

September 30, 2005

	<u>Reserve Fund</u>	<u>Legacy Fund</u>	<u>Capital Projects</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 59,979	\$ 5,107	\$ 205,926	\$ 271,012
Investments	152,090	-	-	152,090
TOTAL ASSETS	\$ 212,069	\$ 5,107	\$ 205,926	\$ 423,102
<u>LIABILITIES</u>				
LIABILITIES:				
Due to other funds	\$ 2,551	\$ -	\$ -	\$ 2,551
FUND BALANCES:				
Fund Balances:				
Reserved	209,518	5,107	205,926	420,551
TOTAL LIABILITIES AND FUND BALANCES	\$ 212,069	\$ 5,107	\$ 205,926	\$ 423,102

See accompanying notes to basic financial statements.

NILES DISTRICT LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

OTHER FUNDS

For the year ended September 30, 2005

	<u>Reserve Fund</u>	<u>Legacy Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:				
Interest and dividends	\$ 3,791	\$ 285	\$ 5,339	\$ 9,415
Frazee Trust	-	29,755	-	29,755
	3,791	30,040	5,339	39,170
EXPENDITURES:				
Miscellaneous	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	3,791	30,040	5,339	39,170
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	120	(48,324)	(120)	(48,324)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,911	(18,284)	5,219	(9,154)
FUND BALANCES, BEGINNING OF YEAR	205,607	23,391	200,707	429,705
FUND BALANCES, END OF YEAR	\$ 209,518	\$ 5,107	\$ 205,926	\$ 420,551

See accompanying notes to basic financial statements.

NILES DISTRICT LIBRARY

1998 BUILDING AUTHORITY BONDS

SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

For the year ended September 30, 2005

<u>Year Ending September 30,</u>	<u>Principal April 1</u>	<u>Interest Requirements</u>		<u>Total Interest</u>	<u>Total Requirements</u>
		<u>April 1</u>	<u>October 1</u>		
2006	\$ 30,000	\$ 12,041	\$ 12,041	\$ 24,082	\$ 54,082
2007	30,000	11,329	11,329	22,658	52,658
2008	30,000	10,616	10,616	21,232	51,232
2009	35,000	9,904	9,904	19,808	54,808
2010	35,000	9,073	9,072	18,145	53,145
2011	35,000	8,241	8,241	16,482	51,482
2012	40,000	7,410	7,410	14,820	54,820
2013	40,000	6,460	6,460	12,920	52,920
2014	40,000	5,510	5,510	11,020	51,020
2015	45,000	4,560	4,560	9,120	54,120
2016	45,000	3,480	3,480	6,960	51,960
2017	50,000	2,400	2,400	4,800	54,800
2018	50,000	1,200	1,200	2,400	52,400
	\$ 505,000	\$ 92,224	\$ 92,223	\$ 184,447	\$ 689,447

See accompanying notes to basic financial statements.